

COMPLIANCE AUDIT

Penndel-Middletown Emergency Squad Relief Association Bucks County, Pennsylvania For the Period January 1, 2015 to December 31, 2016

April 2018



Commonwealth of Pennsylvania
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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**EUGENE A. DePASQUALE
AUDITOR GENERAL**

Mr. Dennis Mitchell, President
Pennel-Middletown Emergency
Squad Relief Association
Bucks County

We have conducted a compliance audit of the Pennel-Middletown Emergency Squad Relief Association (relief association) pursuant to authority derived from Article VIII, Section 10 of the Constitution of the Commonwealth of Pennsylvania, Section 403 of The Fiscal Code, Act of April 9, 1929, (P.L. 343, No. 176), and mandated by the Volunteer Firefighters' Relief Association Act, as consolidated by the Act of November 23, 2010 (P.L. 1181, No. 118), at 35 Pa.C.S. § 7411 *et seq.*, for the period January 1, 2015 to December 31, 2016.

The objective of the audit was to determine if the relief association complied with applicable state laws, contracts, bylaws, and administrative procedures as they relate to the receipt of state aid and the expenditure of relief association funds. Our audit was limited to the areas related to the objective identified above and was not required to be and was not conducted in accordance with Government Auditing Standards issued by the Comptroller General of the United States.

Relief association officers are responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the relief association's administration of state aid and accumulated relief funds complies with applicable state laws, contracts, bylaws, and administrative procedures, including the safeguarding of assets. Relief association officers are responsible for complying with applicable state laws, contracts, bylaws, and administrative procedures. It is our responsibility to perform procedures to obtain sufficient, appropriate evidence to the extent necessary to satisfy the audit objective. We believe that our audit provides a reasonable basis for our conclusions.

We were not able to obtain independent confirmations of the cash balance and the investment balance directly from the financial institutions. Therefore, while the relief association provided bank and investment statements that indicated that, as of December 31, 2016 the relief association had a cash balance of \$150,822 and an investment balance with a fair value of \$1,669,492, we were not able to verify those cash and investment balances.

Based on our audit procedures, we conclude that, except for the effects, if any, of the matter described in the preceding paragraph, for the period January 1, 2015 to December 31, 2016, the relief association, in all significant respects, complied with applicable state laws, contracts, bylaws, and administrative procedures as they relate to the receipt of state aid and the expenditure of relief association funds, except as noted in the finding listed below and discussed later in this report.

Finding – Association May Not Comply With The Requirements Of Act 118

The supplementary financial information contained in this report is presented for purposes of additional disclosure and analysis. We performed only limited procedures on the supplementary financial information and, accordingly, express no form of assurance on it.

The contents of this report were discussed with the management of the relief association and, where appropriate, their response has been included in the report. We would like to thank the relief association officials for the cooperation extended to us during the conduct of the audit.

March 26, 2018



EUGENE A. DEPASQUALE
Auditor General

CONTENTS

	<u>Page</u>
Background	1
Finding and Recommendation:	
Finding – Association May Not Comply With The Requirements Of Act 118	3
Supplementary Financial Information	5
Report Distribution List	7

BACKGROUND

Pursuant to Article VIII, Section 10 of the Constitution of the Commonwealth of Pennsylvania, Section 403 of The Fiscal Code, Act of April 9, 1929, (P.L. 343, No. 176), and the Volunteer Firefighters' Relief Association Act, as consolidated by the Act of November 23, 2010, (P.L. 1181, No. 118), at 35 Pa.C.S. § 7411 *et seq.*, the Department of the Auditor General's duty is to audit the accounts and records of every volunteer firefighters' relief association to determine that funds received under the Foreign Fire Insurance Tax Distribution Law, Act of December 18, 1984, (P.L. 1005, No. 205), as amended, 53 P.S. § 895.701 *et seq.* (commonly referred to as Act 205), are properly expended.

The relief association is a charitable organization that was formed primarily to afford financial protection to volunteer ambulance personnel and to encourage individuals to participate in volunteer emergency services.

Act 118 governs the overall operation of volunteer firefighters' relief associations. Relief association bylaws define the specific operational procedures by which relief associations conduct business. To fulfill its primary purpose, Act 118 authorizes specific types of expenditures and prescribes appropriate volunteer firefighters' relief association investment options. Within the parameters established by Act 118, it is the responsibility of relief associations to choose investments in a proper and prudent manner.

Volunteer firefighters' relief associations receive public tax monies, and the association officers therefore have a responsibility to the public to conduct the association's financial affairs in a businesslike manner and to maintain sufficient financial records to support the propriety of all association transactions. Volunteer firefighters' relief association officers are also responsible for ensuring that the association operates in accordance with applicable state laws, contracts, bylaws and administrative procedures.

Act 205 sets forth the computation of the Foreign Fire Insurance Tax Distribution paid to each applicable municipality throughout the Commonwealth of Pennsylvania. The amount of the distribution is based upon the population of each municipality and the market value of real estate within the municipality. Upon receipt of this distribution, the municipality must allocate the funds to the volunteer firefighters' relief association of the fire service organization or fire service organizations that is or are recognized as providing the service to the municipality.

BACKGROUND – (Continued)

The relief association was allocated state aid from the following municipality:

<u>Municipality</u>	<u>County</u>	<u>2015</u>	<u>2016</u>
Middletown Township	Bucks	\$75,322	\$74,946

The relief association and the affiliated service organization are separate, legal entities. The relief association is affiliated with the following emergency service organization:

Penndel-Middletown Emergency Squad

PENNDel-MIDDLETOWN EMERGENCY SQUAD RELIEF ASSOCIATION
FINDING AND RECOMMENDATION

Finding – Association May Not Comply With The Requirements Of Act 118

Condition: The PennDel-Middletown Emergency Squad Relief Association states in its bylaws that its purpose is to protect, equip and train the members of the PennDel-Middletown Emergency Squad. Act 118 is very clear in setting specific requirements for what constitutes a Volunteer Firefighters’ Relief Association and when such an organization can receive aid funds under that Act. The PennDel-Middletown Emergency Squad Relief Association is not affiliated with a volunteer fire company nor was the association formed primarily to afford financial protection to volunteer firefighters against the consequences of misfortune suffered as a result of their participation in the fire service, as demonstrated in their stated purpose in the association’s bylaws. While the PennDel-Middletown Emergency Squad Relief Association is affiliated with the PennDel-Middletown Emergency Squad, the same is an ambulance organization and not a fire company as required under Act 118.

Criteria: Act 118 at 35 Pa.C.S. § 7412 states in part, that the Volunteer Firefighters’ Relief Association is:

An organization formed primarily to afford financial protection to volunteer firefighters against the consequences of misfortune suffered as a result of their participation in the fire service. The organization may contain within its membership the members of one or more fire companies and may serve secondary purposes, as set forth in this subchapter, but only if adequate provisions have been first made to serve the primary purpose. [Emphasis added.]

We are further concerned that the members of the PennDel-Middletown Emergency Squad Relief Association, who primarily provide services to the general public, do not meet the definition of “Volunteer Firefighter” as defined in the Act. Because the primary purpose does not comport with the requirements of Act 118, we must question their status as a relief association under the Act.

In addition, Act 118 at 35 Pa.C.S. § 7412 further states in part, that a Volunteer Firefighter is:

A person who is a member of:

- (1) a fire company organized and existing under the laws of this Commonwealth;
- (2) a fire police unit, rescue squad, ambulance corps or other like organization affiliated with one or more fire companies; or [Emphasis added.]
- (3) a fire company or affiliated organization which participates in the fire service but does not look to that service as his or her primary means of livelihood. [Emphasis added.]

Cause: Association officials indicated that they were unaware of the specified provisions established by Act 118.

PENNDel-MIDDLETOWN EMERGENCY SQUAD RELIEF ASSOCIATION
FINDING AND RECOMMENDATION

Finding – (Continued)

Effect: As a result of the Act 118 provisions, the Penndel-Middletown Emergency Squad Relief Association doesn't meet the statutory definition of a volunteer firefighter's relief association and, therefore, its eligibility to continue to receive and expend state aid under Act 118 may be adversely impacted or discontinued in the future.

Recommendation: We recommend that the association officials consult with their solicitor and evaluate its state of compliance with the Act 118 requirements stated above and take the steps necessary to meet the requirements. The Pennsylvania Department of Community and Economic Development can assist the Penndel-Middletown Emergency Squad Relief Association with this determination. For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

Management's Response: Relief association management agreed with the finding and indicated they will take action to comply with the recommendation.

Auditor's Conclusion: Compliance will be subject to verification through our next audit.

PENNDel-MIDDLETOWN EMERGENCY SQUAD RELIEF ASSOCIATION
SUPPLEMENTARY FINANCIAL INFORMATION
CASH AND INVESTMENT BALANCES
AS OF DECEMBER 31, 2016

Cash	\$ 150,822
Fair Value of Investments	<u>1,669,492</u>
Total Cash and Investments	<u>\$ 1,820,314</u>

PENNDel-MIDDLETOWN EMERGENCY SQUAD RELIEF ASSOCIATION
 SUPPLEMENTARY FINANCIAL INFORMATION
 SUMMARY OF EXPENDITURES
 FOR THE PERIOD JANUARY 1, 2015 TO DECEMBER 31, 2016

Expenditures:

Benefit Services:	
Insurance premiums	\$ 34,760
Death benefits	3,500
Total Benefit Services	<u>\$ 38,260</u>
Ambulance Services:	
Equipment purchased	\$ 85,642
Equipment maintenance	8,552
Training expenses	4,444
Total Ambulance Services	<u>\$ 98,638</u>
Administrative Services:	
Other administrative expenses	\$ 6,639
Bond premiums	548
Total Administrative Services	<u>\$ 7,187</u>
Other Expenditures:	
Payments on loan	<u>\$ 23,640</u>
Total Expenditures	<u><u>\$ 167,725</u></u>

PENNDel-MIDDLETOWN EMERGENCY SQUAD RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom W. Wolf
Governor
Commonwealth of Pennsylvania

Penndel-Middletown Emergency Squad Relief Association Governing Body:

Mr. Dennis Mitchell
President

Mr. Zach Cooperman
Vice President

Mr. Andrew Foley
Secretary

Mr. Brian Weed
Treasurer

Mr. Hugh Cooperman
Trustee

Mr. Anthony Reinhart
Trustee

Mr. Timothy Wert
Trustee

A report was also distributed to the following municipality, which allocated foreign fire insurance tax monies to this relief association:

Mrs. Stephanie Teoli Kuhls
Secretary
Middletown Township

PENNDel-MIDDLETOWN EMERGENCY SQUAD RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

This report is a matter of public record and is available online at www.PaAuditor.gov. Media questions about the report can be directed to the Pennsylvania Department of the Auditor General, Office of Communications, 229 Finance Building, Harrisburg, PA 17120; via email to: news@PaAuditor.gov.